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Chongqing Iron & Steel Company Limited **重慶鋼鐵股份有限公司**

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(在中華人民共和國註冊成立的股份有限公司)

(Stock Code: 1053)

CONTINUING CONNECTED TRANSACTIONS SERVICE AND SUPPLY AGREEMENT AND FINANCIAL SERVICE AGREEMENT

**Independent Financial Adviser to the Independent
Board Committee and the Independent Shareholders**

RAINBOW.

RAINBOW CAPITAL (HK) LIMITED
溢博資本有限公司

Given that the Original Service and Supply Agreement and the Supplemental Service and Supply Agreement will expire on 31 December 2023, the Company entered into the Service and Supply Agreement with China Baowu on 10 November 2023, whereby the Group agreed to provide materials and services to China Baowu Group, and China Baowu Group agreed to provide materials and services to the Group.

In addition, given that the Original Financial Service Agreement will expire on 31 December 2023, the Company entered into the Financial Service Agreement with Baowu Finance Company on 10 November 2023, whereby Baowu Finance Company and the Company agreed to cooperate in financial business based on the principles of legal compliance, equality and voluntariness, controllable risk and mutual benefit and Baowu Finance Company would provide relevant financial services to the Company.

As at the date of this announcement, China Baowu is interested in approximately 27.63% of the issued share capital of the Company, among which 1.46% is directly held by China Baowu and 26.17% is indirectly controlled or held by China Baowu through the corporations it controls. China Baowu is an indirect substantial shareholder of the Company, i.e., a connected person under Chapter 14A of the Listing Rules. Given that Baowu Finance Company is a company controlled by China Baowu, Baowu Finance Company is also a connected person under Chapter 14A of the Listing Rules. Therefore, the transactions under the Service and Supply Agreement and Financial Service Agreement constitute continuing connected transactions of the Company under the Listing Rules. As the applicable percentage ratios for the caps of the proposed amount of the transactions contemplated under the Service and Supply Agreement and Financial Service Agreement are more than 5%, the transactions contemplated under the Service and Supply Agreement and Financial Service Agreement constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules and are subject to the requirements of reporting, announcement, independent shareholders' approval and annual review under Chapter 14A of the Listing Rules.

As additional time is required by the Company to prepare certain information of the circular, the circular including, among other things, details of the Service and Supply Agreement (including the annual caps) and Financial Service Agreement (including the annual caps) and the transactions contemplated thereunder, the recommendation letter from the Independent Board Committee, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and, a notice convening the EGM to approve the Service and Supply Agreement (including the annual caps) and Financial Service Agreement (including the annual caps) and the transactions contemplated thereunder, is expected to be dispatched to the Shareholders on or before 14 December 2023 pursuant to Chapter 14A of the Listing Rules.

BACKGROUND

Given that the Original Service and Supply Agreement and the Supplemental Service and Supply Agreement will expire on 31 December 2023, the Company entered into the Service and Supply Agreement with China Baowu on 10 November 2023, whereby the Group agreed to provide materials and services to China Baowu Group, and China Baowu Group agreed to provide materials and services to the Group.

In addition, given that the Original Financial Service Agreement will expire on 31 December 2023, the Company entered into the Financial Service Agreement with Baowu Finance Company on 10 November 2023, whereby Baowu Finance Company and the Company agreed to cooperate in financial business based on the principles of legal compliance, equality and voluntariness, controllable risk and mutual benefit and Baowu Finance Company would provide relevant financial services to the Company.

MAJOR TERMS OF THE SERVICE AND SUPPLY AGREEMENT

Date

10 November 2023

Parties

- (i) China Baowu; and
- (ii) the Company

Term

From 1 January 2024 to 31 December 2026

Subject Matter

China Baowu agreed to (by itself and/or China Baowu Group) provide the Group with the materials and services as follows:

- (a) raw materials such as iron ore, scrap steel, refractory materials, accessories (including dolomite, limestone, etc.), steel billets, coal, etc.;
- (b) production materials such as materials and spare parts, equipment, water, etc.; and
- (c) services such as technical services (including construction, software development and labour services, etc.), road transportation services and sanitation and greening services, etc.

The Company agreed to (by itself and/or the Group) provide China Baowu Group with the materials and services as follows:

- (a) materials such as water, electricity, gas, steel billets, steel products, pig iron, solid waste, iron ore, etc.; and
- (b) services such as processing, quality control and technical consultation and other technical services, etc.

Condition Precedent

The Service and Supply Agreement is conditional upon the passing of the resolution(s) approving the Service and Supply Agreement and the transactions contemplated thereunder (including the annual caps) by the Independent Shareholders at the EGM to be convened.

Price

The terms of the Service and Supply Agreement were entered into after negotiation on an arm's length basis and on normal commercial terms. The price or consideration of the Service and Supply Agreement will be determined with reference to the following:

The price shall be based on the state-prescribed price. In the absence of the state-prescribed price, the price shall be based on the market price, which shall be determined through negotiation on an arm's length between the parties, on normal commercial terms and with reference to the comparable market transaction price.

Meanwhile, the price regarding the materials or services to be sold or provided by the Group to China Baowu Group shall not be lower than the price of the same type of materials or services sold or provided by the Group to an independent third party on the same terms. The price regarding the materials or services to be sold or provided by China Baowu Group to the Group shall not be higher than the price of the same type of materials or services purchased or received by the Group from an independent third party on the same terms.

In accordance with the prevailing pricing standards, the basis of price for each of the transactions under the Service and Supply Agreement is as follows:

Type	Pricing principle	Items
Materials provided by China Baowu Group to the Group	Market pricing	raw materials such as iron ore, scrap steel, refractory materials, accessories (including dolomite, limestone, etc.), steel billets, coal, etc.
		production materials such as materials and spare parts, equipment, water, etc.
Services provided by China Baowu Group to the Group	Market pricing	services such as technical services (including construction, software development and labour services, etc.), road transportation services and sanitation and greening services, etc.
Materials provided by the Group to China Baowu Group	State-prescribed pricing	Water, electricity, gas, etc.
	Market pricing	steel billets, steel products, pig iron, solid waste, iron ore, etc.
Services provided by the Group to China Baowu Group	Market pricing	services such as processing, quality control and technical consultation and other technical services, etc.

Payment

The price for the provision of services or materials may be settled by one-off payment or installments. The time of payment shall be determined by the parties based on the nature of the services or materials and the usual business practice for the provision of the services or materials.

Proposed Caps of Transaction Amount for the Continuing Connected Transactions under the Service and Supply Agreement

The proposed annual caps of amount (tax exclusive) in respect of the materials and services to be provided by China Baowu Group to the Group under the Service and Supply Agreement for the three financial years from 1 January 2024 to 31 December 2026 are shown in the table below:

	From 1 January 2024 to 31 December 2024 <i>(RMB0'000)</i>	From 1 January 2025 to 31 December 2025 <i>(RMB0'000)</i>	From 1 January 2026 to 31 December 2026 <i>(RMB0'000)</i>
raw materials such as iron ore, scrap steel, refractory materials, accessories (including dolomite, limestone, etc.), steel billets, coal, etc.	2,830,000	3,090,000	3,200,000
production materials such as materials and spare parts, equipment, water, etc.	92,000	96,000	100,000
services such as technical services (including construction, software development and labour services, etc.), road transportation services and sanitation and greening services, etc.	300,000	265,000	260,000

The proposed annual caps of amount (tax exclusive) in respect of the materials and services to be provided by the Group to China Baowu Group under the Service and Supply Agreement for the three financial years from 1 January 2024 to 31 December 2026 are shown in the table below:

	From 1 January 2024 to 31 December 2024 <i>(RMB0'000)</i>	From 1 January 2025 to 31 December 2025 <i>(RMB0'000)</i>	From 1 January 2026 to 31 December 2026 <i>(RMB0'000)</i>
materials such as water, electricity, gas, steel billets, steel products, pig iron, solid waste, iron ore, etc.	762,000	802,000	824,700
services such as processing, quality control and technical consultation and other technical services, etc.	183,000	218,000	220,300

The proposed caps of transaction amount are determined by reference to:

- (i) the recent market prices or state-prescribed prices applicable to the relevant materials and/or services;
- (ii) the Group's anticipated capacity in providing materials and services to China Baowu Group, and the Group's anticipated demand for China Baowu Group's materials and services to meet its production plans; and
- (iii) China Baowu Group's anticipated demand for the materials and services from the Group and anticipated capacity in providing materials and services to the Group.

Pursuant to the Original Service and Supply Agreement and the Supplemental Service and Supply Agreement, the historical transaction amount (tax exclusive) in respect of the materials and services provided by China Baowu Group to the Group for the two years ended 31 December 2022 and the six months ended 30 June 2023 are shown in the table below:

	Annual caps from 1 January 2021 to 31 December 2021 (RMB0'000)	Actual amount from 1 January 2021 to 31 December 2021 (RMB0'000)	Annual caps from 1 January 2022 to 31 December 2022 (RMB0'000)	Actual amount from 1 January 2022 to 31 December 2022 (RMB0'000)	Annual caps from 1 January 2023 to 31 December 2023 (RMB0'000)	Actual amount from 1 January 2023 to 30 June 2023 (RMB0'000)
raw materials such as iron ore, scrap steel, refractory materials, accessories (including dolomite, limestone, etc.), steel billets, coal, etc.	2,462,608	1,030,459	4,044,600	1,085,734	4,668,200	675,354
production materials such as chemical materials, equipment and spare parts, water, etc.	111,941	99,372	257,400	133,551	258,500	95,540
technical services (including construction, software development and labour services, etc.), road transportation services and sanitation and greening services, etc.	311,513	138,624	475,300	159,073	431,600	117,572

Pursuant to the Original Service and Supply Agreement and the Supplemental Service and Supply Agreement, the historical transaction amount (tax exclusive) in respect of the materials and services provided by the Group to China Baowu Group for the two years ended 31 December 2022 and the six months ended 30 June 2023 are shown in the table below:

	Annual caps from 1 January 2021 to 31 December 2021 (RMB0'000)	Actual amount from 1 January 2021 to 31 December 2021 (RMB0'000)	Annual caps from 1 January 2022 to 31 December 2022 (RMB0'000)	Actual amount from 1 January 2022 to 31 December 2022 (RMB0'000)	Annual caps from 1 January 2023 to 31 December 2023 (RMB0'000)	Actual amount from 1 January 2023 to 30 June 2023 (RMB0'000)
production materials such as water, electricity, natural gas, steel billets, steel products, pig iron, solid waste, etc.	1,552,110	915,614	1,670,600	752,740	2,005,100	292,056
other services (including processing, quality control and technical consultation and other technical services), etc.	/	/	715,000	87,670	797,500	/

REASONS FOR ENTERING INTO THE SERVICE AND SUPPLY AGREEMENT

The entering into of the Service and Supply Agreement between the Company and China Baowu is conducive to the Company's use of China Baowu's brand, advantages, channels and resources to ensure stable and reliable supply of materials and services at a reasonable price, which is crucial to the Company's production stability, cost reduction and benefit increase. On the one hand, through entering into the Service and Supply Agreement with China Baowu, the Company could obtain the aforementioned materials and services, which will help ensure the stability and continuity of the Company's future production; on the other hand, based on the aforementioned transaction and pricing principle, the connected transaction will have a positive impact on the Company.

The Directors (excluding the independent non-executive Directors whose opinion will be provided after taking into account of the advice of the Independent Financial Adviser) consider that the Service and Supply Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Company and were negotiated on an arm's length basis between the parties thereto, and the terms of the Service and Supply Agreement (including the annual caps) are fair and reasonable and on normal commercial terms and are in the interests of the Company and Shareholders as a whole.

MAJOR TERMS OF THE FINANCIAL SERVICE AGREEMENT

Date

10 November 2023

Parties

- (i) Baowu Finance Company; and
- (ii) the Company

Term

From the effective date of the agreement to 31 December 2026

Subject Matter and Proposed Caps of Transaction Amount

Baowu Finance Company agreed to provide the Company with the services as follows:

1. Clearing Services

The Company establishes a settlement account at Baowu Finance Company, and Baowu Finance Company will provide collection and payment services and other auxiliary services related to settlement business as per the Company's instructions. Up to 31 December 2026, the maximum annual cap of the service charges for settlement services to be provided by Baowu Finance Company to the Company and its subsidiaries will be RMB0.2 million (other than acceptance charge, settlement handling fee, handling fee for opening letter of credit and other fees charged by banks on behalf).

2. Deposit Services

The Company deposits funds into the deposit account at Baowu Finance Company based on the principle of free access to and withdrawal of funds. Up to 31 December 2026, the maximum daily balance limit for deposit cash of deposit services to be provided by Baowu Finance Company to the Company will be RMB2 billion (inclusive of interests).

3. Credit Services

Baowu Finance Company provides comprehensive credit services for the Company, including loans, bill acceptance, bill discounting and other types of financial services. With regard to the above-mentioned credit services, up to 31 December 2026, the maximum daily credit limit to be provided by Baowu Finance Company to the Company will be RMB2 billion (inclusive of simple interests).

4. Other financial services

Baowu Finance Company may provide other financial services to the Company within the scope of its business, and the parties shall negotiate and sign a separate agreement before the provision of other financial services. Up to 31 December 2026, the maximum caps of the service charges for other financial services to be provided by Baowu Finance Company to the Company and its subsidiaries will be RMB1 million (other than acceptance charge, settlement handling fee, handling fee for opening letter of credit and other fees charged by banks on behalf).

The historical transaction amount (tax exclusive) in respect of the services that Baowu Finance Company agreed to provide to the Company under the Original Financial Service Agreement are shown in the table below:

	Annual caps from 1 January 2021 to 31 December 2021 <i>(RMB0'000)</i>	Actual amount from 1 January 2021 to 31 December 2021 <i>(RMB0'000)</i>	Annual caps from 1 January 2022 to 31 December 2022 <i>(RMB0'000)</i>	Actual amount from 1 January 2022 to 31 December 2022 <i>(RMB0'000)</i>	Annual caps from 1 January 2023 to 31 December 2023 <i>(RMB0'000)</i>	Actual amount from 1 January 2023 to 23 October 2023 <i>(RMB0'000)</i>
Comprehensive credit services: maximum daily credit limit (inclusive of interest)	200,000	20,600	200,000	32,800	200,000	9,700
Deposit services: maximum daily balance limit (inclusive of interest)	200,000	52,100	200,000	129,400	200,000	123,100
Treasury management services (including settlement services but excluding deposit services) and other financial services	100	0	100	0	100	0

Condition Precedent

The Financial Service Agreement is conditional upon the passing of the resolution(s) approving the Financial Service Agreement and the transactions contemplated thereunder (including the caps of transaction amount) by the Independent Shareholders at the EGM to be convened.

Price

The terms of the Financial Service Agreement were entered into after negotiation on an arm's length basis and on normal commercial terms. The price or consideration of the Financial Service Agreement will be determined with reference to the following:

Maximum cap for settlement services

The fees to be charged by Baowu Finance Company to the Company for providing various settlement services to the Company will be negotiated between the two parties in accordance with the requirements of price charging guidance by the People's Bank of China and the market principles, and shall not be higher than the fees charged by an independent third party to the Company for the same type of services of the same term in principle.

Maximum daily balance limit for deposit cash of deposit services

The deposit rates for the deposit services to be provided by Baowu Finance Company to the Company are determined with reference to the deposit rates available to the Company from major domestic commercial banks in the PRC for the same type of deposit of the same term, and shall not be lower than the benchmark rates of deposits of the same type for the same term promulgated by the People's Bank of China.

Maximum daily limit for credit services

The preferential credit interest rates and rates for the credit business including loans, bills acceptance, bills discounting to be provided by Baowu Finance Company to the Company, shall be determined through negotiation with reference to the credit interest rates and rates standard available to the Company from other major domestic financial institutions for the same type of credit business of the same term and the same grade, and shall not, in principle, be higher than the credit interest rates and rates standard available to the Company from other domestic independent financial institutions for the same type of credit business of the same term and the same grade.

Maximum annual caps for the other financial services

The fees to be charged by Baowu Finance Company for providing the other financial services to the Company shall follow the principles of fairness and reasonableness and shall be determined by the two parties through negotiation in accordance with the principle of being market-oriented, and shall not, in principle, be higher than the fees charged by an independent third party to the Company for the same type of financial services of the same term.

REASONS FOR ENTERING INTO THE FINANCIAL SERVICE AGREEMENT

The Directors believe that the renewal of the Financial Service Agreement between the Company and Baowu Finance Company is conducive to broadening the Company's financing channels, optimizing the Company's financial management, improving the fund utilization efficiency and reducing the financing costs and risks. The transactions contemplated under the Financial Service Agreement shall strictly comply with the transaction principles of voluntariness, equality, integrity and fairness, will not prejudice the interests of the Company and the Shareholders, nor will they affect the independence of the Company or the Company's ability to continue as a going concern.

The Directors (excluding the independent non-executive Directors whose opinion will be provided after taking into account of the advice of the Independent Financial Adviser) consider that the Financial Service Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Company through negotiation on an arm's length basis between the parties thereto, and the terms of the Financial Service Agreement (including the annual caps) are fair and reasonable and on normal commercial terms and are in the interests of the Company and Shareholders as a whole.

INFORMATION OF THE COMPANY, CHINA BAOWU AND BAOWU FINANCE COMPANY

The Company is principally engaged in the manufacture and sale of steel products such as medium-gauge steel plates, steel sections and wire rods.

China Baowu is a state-owned capital investment company controlled by the State-owned Assets Supervision and Administration Commission of the State Council. Its business scope covers operating state-owned assets within the scope authorized by the State Council, as well as carrying out relevant state-owned capital investment and operation.

Baowu Finance Company is a company controlled by China Baowu. Its business scope covers the provision of financial services and financing advisory services, credit verification and related consultancy, agency services, etc.

LISTING RULES IMPLICATIONS

As at the date of this announcement, China Baowu is interested in approximately 27.63% of the issued share capital of the Company, among which 1.46% is directly held by China Baowu and 26.17% is indirectly controlled or held by China Baowu through the corporations it controls. China Baowu is an indirect substantial shareholder of the Company, i.e., a connected person under Chapter 14A of the Listing Rules. Given that Baowu Finance Company is a company controlled by China Baowu, Baowu Finance Company is also a connected person under Chapter 14A of the Listing Rules. Therefore, the transactions under the Service and Supply Agreement and Financial Service Agreement constitute continuing connected transactions of the Company under the Listing Rules. As the applicable percentage ratios for the caps of the proposed amount of the transactions contemplated under the Service and Supply Agreement and Financial Service Agreement are more than 5%, the transactions contemplated under the Service and Supply Agreement and Financial Service Agreement constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules and are subject to the requirements of reporting, announcement, independent shareholders' approval and annual review under Chapter 14A of the Listing Rules.

Other than Mr. Lin Changchun, who has positions in or are connected with China Baowu Group and has abstained from voting on the relevant Board resolutions for the approval of the Service and Supply Agreement (including the annual caps) and Financial Service Agreement (including the annual caps) and the transactions contemplated thereunder, none of the Directors has interests in such transactions.

An EGM will be convened at which resolution(s) will be proposed to seek the approval of the Independent Shareholders by way of poll for the Service and Supply Agreement (including the annual caps) and Financial Service Agreement (including the annual caps) and the transactions contemplated thereunder. China Baowu and its associate(s) as defined under the Listing Rules will abstain from voting thereon.

An Independent Board Committee has been formed by the Company to make recommendations to the Independent Shareholders as to whether the terms of the Service and Supply Agreement and Financial Service Agreement are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Company and its Shareholders as a whole and to advise the Independent Shareholders on how to vote after taking into account the recommendation of the Independent Financial Adviser. Rainbow Capital has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this respect.

As additional time is required by the Company to prepare certain information of the circular, the circular including, among other things, details of the Service and Supply Agreement (including the annual caps) and Financial Service Agreement (including the annual caps) and the transactions contemplated thereunder, the recommendation letter from the Independent Board Committee, the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders and, a notice convening the EGM to approve the Service and Supply Agreement (including the annual caps) and Financial Service Agreement (including the annual caps) and the transactions contemplated thereunder, is expected to be dispatched to the Shareholders on or before 14 December 2023.

DEFINITIONS

The following defined terms are used in this announcement:

“Baowu Finance Company”	Baowu Group Finance Co., Ltd., a limited liability company established in the PRC
“Board”	the board of Directors
“China Baowu”	China Baowu Steel Group Corporation Limited, a limited liability company incorporated in the PRC and a pilot enterprise of state-owned capital investment company controlled by the State-owned Assets Supervision and Administration Commission of the State Council
“China Baowu Group”	China Baowu and its subsidiaries (excluding the Group)
“Company”	Chongqing Iron & Steel Company Limited, a joint stock limited company incorporated in the PRC with limited liability and the shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for purpose of approving, among other things, the Service and Supply Agreement (including the annual caps) and the Financial Service Agreement (including the annual caps) and the transactions contemplated thereunder

“Financial Service Agreement”	the financial service agreement dated 10 November 2023 entered into between the Company and Baowu Finance Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	a board committee comprising three independent non-executive Directors, Mr. Sheng Xuejun, Mr. Zhang Jinruo and Mr. Guo Jiebin
“Independent Financial Adviser” or “Rainbow Capital”	Rainbow Capital (HK) Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Service and Supply Agreement and the Financial Service Agreement
“Independent Shareholder(s)”	Shareholders other than China Baowu and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Original Financial Service Agreement”	the financial service agreement dated 1 April 2021 entered into between the Company and Baowu Finance Company
“Original Service and Supply Agreement”	the service and supply agreement dated 1 April 2021 entered into between the Company and China Baowu
“PRC”	the People’s Republic of China
“RMB”	renminbi, the lawful currency of the PRC
“Service and Supply Agreement”	the service and supply agreement dated 10 November 2023 entered into between the Company and China Baowu
“Shareholder(s)”	holder(s) of shares of the Company

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Service and Supply Agreement”	the supplemental service and supply agreement dated 8 July 2022 entered into between the Company and China Baowu
“%”	percent

By order of the Board
Chongqing Iron & Steel Company Limited
Zou An
Secretary to the Board

Chongqing, the PRC, 11 November 2023

As at the date of this announcement, the Directors of the Company are: Mr. Xie Zhixiong (Executive Director), Mr. Meng Wenwang (Executive Director), Mr. Zou An (Executive Director), Mr. Song De An (Non-executive Director), Mr. Lin Changchun (Non-executive Director), Mr. Zhou Ping (Non-executive Director), Mr. Sheng Xuejun (Independent Non-executive Director), Mr. Zhang Jinruo (Independent Non-executive Director) and Mr. Guo Jiebin (Independent Non-executive Director).